PIONEER INDUSTRIAL RAILWAY CO.
1318 S. JOHANSON ROAD
PEORIA, ILLINOIS 61607
(309) 697-1400

July 26, 2005

Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

RE: Docket No. AB 878 – Adverse Discontinuance - Pioneer Industrial Railway Co.

Dear Secretary Williams:

On July 25, 2005, the applicants in the above-referenced proceeding sent a letter to the Board accusing Pioneer Industrial's attorney, Mr. Daniel A. LaKemper, of sending the Board a "very misleading" letter.

The facts are that, on the morning of July 11, 2005, Congressman Ray LaHood held a meeting at his office between representatives of Pioneer Industrial Railway (Mr. Guy L. Brenkman, CEO, Mr. J. Michael Carr, CFO, and Mr. Daniel A. LaKemper, General Counsel); representatives of the City of Peoria (Mayor Jim Ardis, Public Works Director Steve Van Winkle, and City Attorney Randy Ray) and Peoria Park District Director Bonnie Noble.

Congressman LaHood urged the parties to reach a "compromise" of the Kellar Branch dispute. Joint rail/trail use of the right-of-way was discussed, as was the possibility of maintaining competitive access through trackage rights on the Union Pacific.   Mr. Brenkman followed up the discussion with a letter that afternoon, a copy of which is attached hereto. We ask the Board to read that letter and decide for itself whom is misleading who.

Sincerely yours,

 /s/ Guy L. Brenkman   Daniel A. LaKemper,
Guy L. Brenkman, CEO   General Counsel

/s/ J. Michael Carr
J. Michael Carr, CFO

cc: Thomas F. McFarland, Esq.

July 11, 2005

Hon. Ray LaHood
100 N.E. Monroe St.
Room 100
Peoria, Illinois 61602

Dear Ray:

Thank you very much for hosting the meeting regarding the Pioneer Park railroad line at your office this morning. I share your view that a compromise is both possible, and in the interest of all parties.

Having had time to think about our discussion, I firmly believe that the quickest and most economical way for this to be resolved would be if the Union Pacific ("UP") would grant reasonable trackage rights for the movement of cars from the connection of the former UP spur with the UP mainline west of Pioneer Park (sometimes referred to as "Pioneer Junction"), down the mainline, to a point near Sommer Station, south of Bartonville, where the UP connects with Pioneer Railcorp subsidiary Keokuk Junction Railway ("KJRY"). These rights could be granted to the City and assigned to KJRY (which already comes into Peoria and interchanges with UP and Tazewell & Peoria Railroad). The City would grant Keokuk Junction a railroad easement over: (1) the Kellar Branch from just south of Pioneer Parkway, through Pioneer Park, and over the new trackage and the former UP spur, out to Pioneer Junction, and (2) the Kellar Branch from its current connection with the Tazewell & Peoria near the river, north to a point near the Journal Star (say, 500 feet north of the switch), for which KJRY will make a one-time payment of $20,000 cash to the City. Pioneer Industrial Railway would then agree to the termination of its operating rights. The City will, of course, terminate DOT Rail's agreement, pursuant to Article 3 of the June 26, 2000 agreement.
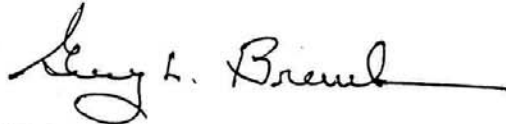
By preserving the shippers' ability to access all line-haul carriers coming into Peoria, ending litigation, and allowing a proven local operator to continue to provide the service

shippers need, this arrangement would truly be a "win-win".

To summarize, we are proposing that you contact the Union Pacific regarding the trackage rights; that the City terminate the DOT contract and grant KJRY a railroad easement; and Pioneer Industrial will inform the Surface Transportation Board that it has reached agreement with the City as to the abandonment.

We are prepared to enter into the necessary agreements to effect this proposal immediately.

Thank you for your consideration,

Guy L. Brenkman,
Chairman/CEO

cc: Mayor Ardis.
    Randy Ray.
    Steve Van Winkle.